

**CAMBRIDGE TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
MARCH 31, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CAMBRIDGE TOWNSHIP</b>	County <b>LENAAWEE</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/9/05</b>	Date Accountant Report Submitted to State: <b>7/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

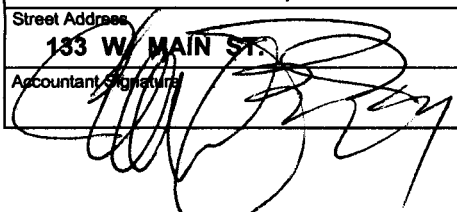
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>PHILIP R. RUBLEY, CPA</b>			
Street Address <b>133 W. MAIN ST.</b>	City <b>MORENCI</b>	State <b>MI</b>	ZIP <b>49256</b>
Accountant Signature 		Date <b>6/9/05</b>	

**CAMBRIDGE TOWNSHIP  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2005**

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**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

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**Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Cambridge Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Overview Of The Financial Statements**

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has one enterprise fund to account for sewer and water activity.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

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**Notes To The Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Other Information**

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

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**The Township As A Whole**

The Township's net assets for the year ended March 31, 2005 increased by 11.15% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally able to grow at a rate above inflation. Extensive growth in the township has a direct relationship to this growth.

The governmental activities reflect net assets of \$3,073,287.

By far the largest portion of the Township's net assets (27.50%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

**CAMBRIDGE TOWNSHIP NET ASSETS**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-Type</u></b> <b><u>Activities</u></b>
	<b><u>2005</u></b>	<b><u>2005</u></b>
<b><u>Revenue</u></b>		
Program Revenue:		
Charges for Services	\$ 378,806	\$ 216,568
Operating Grants and Contributions	8,424	---
Capital Grants and Contributions	---	291,772
General Revenue:		
Property Taxes	597,915	---
Grants and Contributions Not		
Restricted To Specific Program	307,433	---
Interest and Rentals Earnings	43,233	1,235
Other	130,943	---
<b>Total Revenue</b>	<u>1,466,754</u>	<u>509,575</u>
<b><u>Expenses</u></b>		
General Government	368,182	---
Public Safety	621,058	---
Public Works	130,795	263,847
Community and Economic Development	26,000	---
Recreation and Culture	10,134	---
Interest on Long-Term Debt	---	184,904
Other Functions	22,060	---
<b>Total Expenses</b>	<u>1,178,229</u>	<u>448,751</u>
<b>Increase In Net Assets</b>	288,525	60,824
<b>Net Assets Beginning of Year</b>	<u>2,784,762</u>	<u>4,732,189</u>
<b>Net Assets End of Year</b>	<u>\$3,073,287</u>	<u>\$4,793,013</u>



**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

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**CAMBRIDGE TOWNSHIP NET ASSETS**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
	<b><u>2005</u></b>	<b><u>2005</u></b>
Current and Other Assets	\$2,247,831	\$3,490,498
Capital Assets	<u>845,117</u>	<u>5,134,727</u>
<b>Total Assets</b>	<b><u>\$3,092,948</u></b>	<b><u>\$8,625,225</u></b>
Long-Term Liabilities Outstanding	\$ ---	\$3,759,387
Other Liabilities	<u>19,661</u>	<u>72,825</u>
<b>Total Liabilities</b>	<b><u>19,661</u></b>	<b><u>3,832,212</u></b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	845,117	1,375,340
Unrestricted	<u>2,228,170</u>	<u>3,417,673</u>
<b>Total Net Assets</b>	<b><u>\$3,073,287</u></b>	<b><u>\$4,793,013</u></b>

**Government Activities**

Government activities increased the Township's net assets by \$288,525.

**The Township's Funds**

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

**CAMBRIDGE TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2005**

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**General Fund Budgetary Highlights**

Differences between the original budget and amended budget were insignificant. Actual results in revenue were higher than budgeted, and expenses were significantly lower than budgeted numbers.

**Capital Assets And Debt Administration**

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$845,117 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was 10.56%.

Long-term debt of the Township decreased by \$314,414 (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended March 31, 2005.

**Economic Factors And Next Year's Budget And Rates**

The Township's budget for 2005-2006 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

**Contacting The Townships Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 302 Conner Street, Onsted, Michigan 49265.

# PHILIP R. RUBLEY

- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'S  
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

June 9, 2005

Township Board  
Cambridge Township  
Lenawee County  
302 Conner Street  
Onsted, Michigan 49265

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Cambridge Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cambridge Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Cambridge Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the Township's has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as of April 1, 2004.

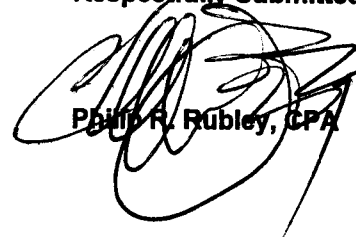
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cambridge Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Cambridge Township  
June 9, 2005

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement of Net Assets**  
**March 31, 2005**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
Cash and Equivalents	\$2,174,290	\$ 46,949	\$ 2,221,239
Receivables - Net	58,716	3,443,549	3,502,265
Prepaid Items and Other Assets	14,825	---	14,825
Capital Assets Not Being Depreciated	66,092	---	66,092
Capital Assets Being Depreciated - Net	<u>779,025</u>	<u>5,134,727</u>	<u>5,913,752</u>
<b>Total Assets</b>	<b><u>\$3,092,948</u></b>	<b><u>\$8,625,225</u></b>	<b><u>\$11,718,173</u></b>
<b><u>Liabilities</u></b>			
Accounts Payable and Accrued Expenses	\$ 19,661	\$ 72,825	\$ 92,486
Long-Term Liabilities:			
Due Within One Year	---	328,298	328,298
Due In More Than One Year	<u>---</u>	<u>3,431,089</u>	<u>3,431,089</u>
<b>Total Liabilities</b>	<b><u>19,661</u></b>	<b><u>3,832,212</u></b>	<b><u>3,851,873</u></b>
<b><u>Net Assets</u></b>			
Invested In Capital Assets, Net of Related Debt	845,117	1,375,340	2,220,457
Unrestricted	<u>2,228,170</u>	<u>3,417,673</u>	<u>5,645,843</u>
<b>Total Net Assets</b>	<b><u>\$3,073,287</u></b>	<b><u>\$4,793,013</u></b>	<b><u>\$ 7,866,300</u></b>

The notes to financial statements are an integral part of this statement.

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement of Activities**  
**For The Year Ended March 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<b><u>Governmental Activities:</u></b>					
General Government	\$ 368,182	\$108,572	\$4,056	\$ ---	\$ (255,554)
Public Safety	621,058	221,964	4,368	---	(394,726)
Public Works	130,795	33,085	---	---	(97,710)
Community and Economic Development	26,000	15,185	---	---	(10,815)
Recreation and Culture	10,134	---	---	---	(10,134)
Other Functions	<u>22,060</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(22,060)</u>
<b>Total Governmental Activities</b>	<u>1,178,229</u>	<u>378,806</u>	<u>8,424</u>	<u>---</u>	<u>(790,999)</u>
<b><u>Business-Type Activities:</u></b>					
Utilities	<u>448,751</u>	<u>216,568</u>	<u>---</u>	<u>291,772</u>	<u>59,589</u>
<b>Total</b>	<u>\$1,626,980</u>	<u>\$595,374</u>	<u>\$8,424</u>	<u>\$291,772</u>	<u>\$ (731,410)</u>

**CAMBRIDGE TOWNSHIP**  
**Government-wide Statement Of Activities (Concluded)**  
**For The Year Ended March 31, 2005**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Changes In Net Assets</u></b>			
Net (Expense) Revenue	\$ (790,999)	\$ 59,589	\$ (731,410)
General Revenues:			
Property Taxes and Assessments	597,915	---	597,915
Grants and Contributions			
Not Restricted To			
Specific Programs	307,433	---	307,433
Unrestricted Investment			
Earnings and Rentals	43,233	1,235	44,468
Other	<u>130,943</u>	<u>---</u>	<u>130,943</u>
<b>Total General Revenues, Contributions and Transfers</b>	<u>1,079,524</u>	<u>1,235</u>	<u>1,080,759</u>
<b>Change In Net Assets</b>	288,525	60,824	349,349
<b>Net Assets, Beginning of Year</b>	<u>2,784,762</u>	<u>4,732,189</u>	<u>7,516,951</u>
<b>Net Assets, End of Year</b>	<u>\$3,073,287</u>	<u>\$4,793,013</u>	<u>\$7,866,300</u>

The notes to financial statements are an integral part of this statement.

**CAMBRIDGE TOWNSHIP**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2005**

	<b><u>General Fund</u></b>	<b><u>Fire Fund</u></b>	<b><u>Other Non-Major Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>ASSETS</u></b>				
Cash and Cash				
Equivalents	\$ 916,805	\$ 988,098	\$269,387	\$2,174,290
Prepaid Expenses	3,747	6,421	4,648	14,816
Receivables - Net	25,347	16,653	10,835	52,835
Due From Other Funds	98,044	3,265	414	101,723
Other	---	---	9	9
<b>Total Assets</b>	<b><u>\$1,043,943</u></b>	<b><u>\$1,014,437</u></b>	<b><u>\$285,293</u></b>	<b><u>\$2,343,673</u></b>
<b><u>LIABILITIES</u></b>				
Accounts Payable/				
Accrued Liabilities	\$ 8,524	\$ 2,048	\$ 9,089	\$ 19,661
Due to Other Funds	99	15,727	80,016	95,842
Deferred Revenue	7,192	859	751	8,802
<b>Total Liabilities</b>	<b><u>15,815</u></b>	<b><u>18,634</u></b>	<b><u>89,856</u></b>	<b><u>124,305</u></b>
<b><u>FUND BALANCES</u></b>				
Unreserved	<u>1,028,128</u>	<u>995,803</u>	<u>195,437</u>	<u>2,219,368</u>
<b>Total Fund Balances</b>	<b><u>1,028,128</u></b>	<b><u>995,803</u></b>	<b><u>195,437</u></b>	<b><u>2,219,368</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$1,043,943</u></b>	<b><u>\$1,014,437</u></b>	<b><u>\$285,293</u></b>	<b><u>\$2,343,673</u></b>



**CAMBRIDGE TOWNSHIP**  
**Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds**  
**To Net Assets Of Governmental Activities On The Statement of Net Assets**  
**March 31, 2005**

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**Fund Balances – Total Governmental Funds**

\$2,219,368

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the funds.

**Add:** Capital Assets

1,767,392

**Deduct:** Accumulated Depreciation

(922,275)

Revenue that has been billed as a receivable, but not collected  
until later years, was not reported in the funds.

**Add:** Deferred Revenue

8,802

**Net Assets of Governmental Activities**

\$3,073,287

**CAMBRIDGE TOWNSHIP**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**For The Year Ended March 31, 2005**

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Other Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>				
Taxes and Assessments	\$ 238,985	\$175,064	\$175,064	\$ 589,113
Intergovernmental	307,433	---	4,368	311,801
State Grants	4,056	---	---	4,056
Licenses and Permits	85,336	---	---	85,336
Fines and Forfeitures	900	---	27,166	28,066
Charges for Services	141,657	88,206	32,800	262,663
Interest and Rentals	23,653	17,263	2,317	43,233
Other	112,016	18,927	2,741	133,684
<b>Total Revenue</b>	<b>914,036</b>	<b>299,460</b>	<b>244,456</b>	<b>1,457,952</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	347,568	---	---	347,568
Public Safety	70,415	215,429	266,392	552,236
Public Works	130,795	---	---	130,795
Community Economic Development	26,000	---	---	26,000
Recreation and Culture	10,134	---	---	10,134
Capital Outlay	130,937	34,672	28,994	194,603
Other Functions	22,060	---	---	22,060
<b>Total Expenditures</b>	<b>737,909</b>	<b>250,101</b>	<b>295,386</b>	<b>1,283,396</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>176,127</b>	<b>49,359</b>	<b>(50,930)</b>	<b>174,556</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	966	---	55,000	55,966
Transfers (Out)	(55,000)	---	(966)	(55,966)
<b>Total Other Financing Sources (Uses)</b>	<b>(54,034)</b>	<b>---</b>	<b>54,034</b>	<b>---</b>
<b>Net Change in Fund Balances</b>	<b>122,093</b>	<b>49,359</b>	<b>3,104</b>	<b>174,556</b>
<b>Fund Balances – Beginning of Year</b>	<b>906,035</b>	<b>946,444</b>	<b>192,333</b>	<b>2,044,812</b>
<b>Fund Balances – End of Year</b>	<b><u>\$1,028,128</u></b>	<b><u>\$995,803</u></b>	<b><u>\$195,437</u></b>	<b><u>\$2,219,368</u></b>

The notes to financial statements are an integral part of this statement.

**CAMBRIDGE TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures,**  
**And Changes In Fund Balances Of Governmental Statement Of Activities**  
**March 31, 2005**

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**Net Change In Fund Balances – Total Governmental Funds**

\$174,556

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

**Add:** Capital Outlay

184,488

**Deduct:** Depreciation Expense

(79,321)

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

**Add:** Deferred Revenue other adjustments

8,802

**Change In Net Assets Of Governmental Activities**

\$288,525

**CAMBRIDGE TOWNSHIP**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2005**

**Business-Type Activities -**  
**Enterprise Funds**

**Utilities Fund**

**Assets**

Current Assets:

Cash and Cash Equivalents

\$ 46,949

Accounts Receivable

16,591

Current Portion Special Assessment Receivable

42,672

**Total Current Assets**

106,212

Noncurrent Assets:

Property and Equipment - Net

5,134,727

Special Assessment Receivable - Net of  
Current Portion

3,384,286

**Total Noncurrent Assets**

8,519,013

**Total Assets**

\$8,625,225

**Liabilities**

Current Liabilities:

Accounts Payable and Accrued  
Liabilities

\$ 72,825

Bonds and Note Payable Current Portion

328,298

**Total Current Liabilities**

401,123

Noncurrent Liabilities:

Bonds and Note Payable

3,431,089

**Total Noncurrent Liabilities**

3,431,089

**Total Liabilities**

3,832,212

**Net Assets**

Invested in Capital Assets,

Net of Related Debt

1,375,340

Unrestricted

3,417,673

**Total Net Assets**

4,793,013

**Net Assets of Business-Type Activities on the  
Government-Wide Statement of Net Assets**

\$8,625,225

The accompanying notes are an integral part of this financial statement.

**CAMBRIDGE TOWNSHIP**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended March 31, 2005**

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	<b>Business-Type Activities - Enterprise Funds</b>
	<b><u>Utilities Fund</u></b>
<b>Operating Revenues</b>	
Charges for Services	\$ 216,568
Special Assessments	<u>291,772</u>
<b>Total Operating Revenues</b>	<u>508,340</u>
<b>Expenses</b>	
Administration/Maintenance	140,886
Depreciation	<u>122,961</u>
<b>Total Operating Expenses</b>	<u>263,847</u>
<b>Operating Income</b>	<u>244,493</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income	1,235
Interest Expense and Fiscal Charges	<u>(184,904)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(183,669)</u>
<b>Income</b>	60,824
<b>Net Assets, Beginning of Year</b>	<u>4,732,189</u>
<b>Net Assets, End of Year</b>	<u>\$4,793,013</u>

The accompanying notes are an integral part of this financial statement.

**CAMBRIDGE TOWNSHIP**  
**Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities**  
**March 31, 2005**

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<b>Change In Net Assets – All Enterprise Funds</b>	\$60,824
No additional adjustments	<u>---</u>
<b>Change In Net Assets Of Business-Type Activities</b>	<u>\$60,824</u>

**CAMBRIDGE TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended March 31, 2005**

	<b>Business-Type Activities</b> <b><u>Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 492,183
Cash Payment to Suppliers For Goods and Services/Employees	<u>(136,797)</u>
<b>Net Cash Provided (Used)</b>	<u>355,386</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Special Assessment Receivable	141,480
Bond Principal Payments	(314,414)
Bond Interest Payments	<u>(191,433)</u>
<b>Net Cash (Used) by Capital and             Related Financing Activities)</b>	<u>(364,367)</u>
 <b>Cash Flows From Investing Activities</b>	
Investment Income	<u>1,235</u>
<b>Net Cash Provided (Used) by             Investing Activities</b>	<u>1,235</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 (7,746)
 <b>Cash and Cash Equivalents, Beginning of Year</b>	 <u>54,695</u>
 <b>Cash and Cash Equivalents, End of Year</b>	 <u>\$ 46,949</u>
 <b>Reconciliation to Statement of Net Assets</b>	
Cash and Cash Equivalents	<u>\$ 46,949</u>

The accompanying notes are an integral part of this financial statement.

**CAMBRIDGE TOWNSHIP**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For The Year Ended March 31, 2005**

	<b><u>Business-Type Activities - Enterprise Funds</u></b>
	<b><u>Utilities Fund</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 60,824
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	122,961
Changes in Assets and Liabilities:	
Accounts Receivable	129,412
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>(6,529)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>306,668</u></b>
<b>Cash Flows From Financing Activities:</b>	
Principal Paid on Bonds	<u>(314,414)</u>
<b>Net Cash (Used) from Financing Activities</b>	<b><u>(314,414)</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(7,746)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>54,695</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 46,949</u></b>

The accompanying notes are an integral part of this financial statement.



**CAMBRIDGE TOWNSHIP**  
**Fiduciary Funds – Statement of Net Assets**  
**March 31, 2005**

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	<b>Current Tax Collection Fund</b>	<b>Trust and Agency Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$9,645	\$1,488
Cash and Cash Equivalents	<u>---</u>	<u>---</u>
<b>Total Assets</b>	<b><u>\$9,645</u></b>	<b><u>\$1,488</u></b>
<b><u>Liabilities</u></b>		
Due to Other Funds	\$5,881	\$ ---
Other Payables	<u>3,764</u>	<u>1,488</u>
<b>Total Liabilities</b>	<b><u>\$9,645</u></b>	<b><u>\$1,488</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Cambridge Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

Cambridge Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**The General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Fire Fund** is a special Revenue Fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

The government reports the following major proprietary fund:

**The Utilities Fund** is a proprietary fund which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Bank Deposits and Investment** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** - All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Capital Outlay	\$28,064	\$130,937	\$102,873
Public Safety:			
Fire Salaries and Wages	88,420	90,397	1,977
Utilities	15,500	15,780	280
Capital Outlay	---	34,672	34,672

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	<u>\$300,000</u>	<u>\$1,921,239</u>	\$ ---	<u>\$2,221,239</u>	<u>\$2,221,239</u>
	<u>\$300,000</u>	<u>\$1,921,239</u>	<u>\$ ---</u>	<u>\$2,221,239</u>	<u>\$2,221,239</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**Balance Sheet Cash And Cash Investments**

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<b><u>Deposits</u></b>	<b><u>Carrying Amount</u></b>
Insured (FDIC) (FSLIC)	\$ 300,000
Uninsured:	
Uncollateralized	<u>1,921,239</u>
<b>Total</b>	<b><u>\$2,221,239</u></b>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of Net Asset:**

Cash and Cash Equivalents	<u>\$2,221,239</u>
	<u>2,221,239</u>

**Statement of Fiduciary Net Asset:**

Agency Funds:	
Cash and Cash Equivalents	<u>11,133</u>
	<u>11,133</u>
	<b><u>\$2,232,372</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2005 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Ending Decreases</u></b>	<b><u>Balance</u></b>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 55,000	\$ 11,092	\$ ---	\$ 66,092
<b>Total Capital Assets Not Being Depreciated</b>	<b>55,000</b>	<b>11,092</b>	<b>---</b>	<b>66,092</b>
Capital Assets, Being Depreciated:				
Buildings	321,712	141,101	(107,458)	355,355
Vehicles	980,000	28,114	(56,900)	951,214
Equipment	390,550	4,181	---	394,731
<b>Total Capital Assets Being Depreciated</b>	<b>1,692,262</b>	<b>173,396</b>	<b>(164,358)</b>	<b>1,701,300</b>
Less Accumulated Depreciation For:				
Buildings	(162,312)	(8,307)	1,075	(169,544)
Vehicles	(565,690)	(45,440)	56,900	(554,230)
Equipment	(172,927)	(25,574)	---	(198,501)
<b>Total Accumulated Depreciation</b>	<b>(900,929)</b>	<b>(79,321)</b>	<b>57,975</b>	<b>(922,275)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>791,333</b>	<b>94,075</b>	<b>(106,383)</b>	<b>779,025</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 846,333</b>	<b>\$ 105,167</b>	<b>\$ (106,383)</b>	<b>\$ 845,117</b>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Being Depreciated:				
Sewer and Water System	\$6,148,071	\$ ---	\$ ---	\$ 6,148,701
<b>Total Capital Assets Being Depreciated</b>	<b>6,148,071</b>	<b>---</b>	<b>---</b>	<b>6,148,701</b>
Less Accumulated Depreciation For:				
Sewer and Water System	(890,383)	(122,961)	---	(1,013,344)
<b>Total Accumulated Depreciation</b>	<b>(890,383)</b>	<b>(122,961)</b>	<b>---</b>	<b>(1,013,344)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>5,257,688</b>	<b>(122,961)</b>	<b>---</b>	<b>5,134,727</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$5,257,688</b>	<b>\$ (122,961)</b>	<b>\$ ---</b>	<b>\$ 5,134,727</b>



**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Depreciation expense was charged to functions/programs of the Township as follows:

**Governmental Activities:**

General Government	\$ 12,408
Public Safety	<u>66,913</u>

<b>Total Depreciation Expense</b>	
<b>Governmental Activities</b>	<b><u>\$ 79,321</u></b>

**Business-Type Activities:**

Utilities	<u>\$122,961</u>
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<b>Total Depreciation Expense</b>	
<b>Business-Type Activities</b>	<b><u>\$122,961</u></b>

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

At March 31, 2005, the following were interfund receivables and payables in the fund statement.

<b><u>Fund</u></b>	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>
General	\$ 98,044	\$ 99
Fire	3,265	15,727
Police	414	80,016
Other Agency Funds	<u>---</u>	<u>5,881</u>
<b>Total</b>	<b><u>\$101,723</u></b>	<b><u>\$101,723</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 6 – TRANSFERS BETWEEN FUNDS**

At March 31, 2005, the following transfers were made between funds:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 966	\$55,000
Police	55,000	---
Cemetery	---	---
Endowment	---	966
<b>Total</b>	<u>\$55,966</u>	<u>\$55,966</u>

**NOTE 7 – PROPERTY TAXES**

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

The Township currently levies 1.977 mills. Property taxes attach as an enforceable lien on the property as of January 1.

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 8 - LONG TERM DEBT**

The Township has two notes payable at Onsted State Savings Bank used for construction improvements.

Purpose: Construction - Wells  
Date of Note: June 21, 1999  
Interest Rate: 5.75% fixed  
Interest Payable: Annual on June 21<sup>st</sup>  
Original Amount of Issue: \$80,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$ 4,633	\$ 3,470	\$ 8,103
2006	4,899	3,204	8,103
2007	5,181	2,922	8,103
2008	5,479	2,624	8,103
2009	5,794	2,309	8,103
2010	6,127	1,976	8,103
2011	6,479	1,624	8,103
2012	6,852	1,251	8,103
2013	7,246	857	8,103
2014	<u>7,662</u>	<u>441</u>	<u>8,103</u>
<b>Total</b>	<b><u>\$60,352</u></b>	<b><u>\$20,678</u></b>	<b><u>\$81,030</u></b>

Purpose: Construction - Wells  
Date of Note: February 15, 2000  
Interest Rate: 7.0% fixed  
Interest Payable: Annual on February 15<sup>th</sup>  
Original Amount of Issue: \$316,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 17,637	\$ 17,058	\$ 34,695
2007	18,872	15,823	34,695
2008	20,193	14,502	34,695
2009	21,606	13,089	34,695
2010	23,119	11,576	34,695
2011	24,737	9,958	34,695
2012	26,469	8,226	34,695
2013	28,322	6,373	34,695
2014	30,304	4,391	34,695
2015	<u>32,425</u>	<u>2,270</u>	<u>34,695</u>
<b>Total</b>	<b><u>\$243,684</u></b>	<b><u>\$103,266</u></b>	<b><u>\$346,950</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Bonds Payable - Lenawee County Sewage Disposal Bonds - Sewer/Cambridge/Franklin used for construction of sewer system. Amount applicable to Cambridge Township 48%. Total issue \$3,890,000 of which Cambridge is \$1,867,200.

Purpose: Construction Sewer  
Date of Bond: June 1, 1996  
Interest Rate: 7.125% to 4.5%  
Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>  
Original Amount of Issue: \$1,867,200

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2005	\$ 98,400	\$ 28,658	\$ 127,058
November 1, 2005	---	24,968	24,968
May 1, 2006	98,400	24,968	123,368
November 1, 2006	---	21,278	21,278
May 1, 2007	98,400	21,278	119,678
November 1, 2007	---	17,982	17,982
May 1, 2008	98,400	17,982	116,382
November 1, 2008	---	15,768	15,768
May 1, 2009	98,400	15,768	114,168
November 1, 2009	---	13,554	13,554
May 1, 2010	93,600	13,554	107,154
November 1, 2010	---	11,448	11,448
May 1, 2011	93,600	11,448	105,048
November 1, 2011	---	9,342	9,342
May 1, 2012	91,200	9,342	100,542
November 1, 2012	---	7,290	7,290
May 1, 2013	88,800	7,290	96,090
November 1, 2013	---	5,292	5,292
May 1, 2014	108,000	5,292	113,292
November 1, 2014	---	2,862	2,862
May 1, 2015	<u>127,200</u>	<u>2,862</u>	<u>130,062</u>
<b>Total</b>	<u>\$1,094,400</u>	<u>\$288,226</u>	<u>\$1,382,626</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Bonds Payable - Lenawee County Sewage Disposal Bonds - Wamplers Lake used for construction of sewer system. Amount applicable to Cambridge Township 54.6%. Total issue \$5,000,000 of which Cambridge is \$2,730,000.

Purpose: Construction Sewer  
Date of Bond: May 1, 1995  
Interest Rate: 7.75% to 5.0%  
Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>  
Original Amount of Issue: \$2,730,000

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2005	\$ 150,150	\$ 37,538	\$ 187,688
November 1, 2005	---	33,784	33,784
May 1, 2006	150,150	33,784	183,934
November 1, 2006	---	30,030	30,030
May 1, 2007	155,610	30,030	185,640
November 1, 2007	---	26,140	26,140
May 1, 2008	163,800	26,140	189,940
November 1, 2008	---	22,045	22,045
May 1, 2009	163,800	22,045	185,845
November 1, 2009	---	17,950	17,950
May 1, 2010	174,720	17,950	192,670
November 1, 2010	---	13,582	13,582
May 1, 2011	174,720	13,582	188,302
November 1, 2011	---	9,214	9,214
May 1, 2012	180,180	9,214	189,394
November 1, 2012	---	4,709	4,709
May 1, 2013	<u>188,370</u>	<u>4,709</u>	<u>193,079</u>
<b>Total</b>	<u><b>\$1,501,500</b></u>	<u><b>\$352,446</b></u>	<u><b>\$1,853,946</b></u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Bonds Payable - Lenawee County Water Supply Bonds - South Shore Water Supply System Improvements.

Purpose: Construction of Water Supply System

Date of Bond: July 1, 1997

Interest Rate: 7.0% to 5.0%

Interest Payable: November 1<sup>st</sup>, May 1<sup>st</sup>

Original Amount of Issue: \$850,000

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2005	\$ 45,000	\$ 14,044	\$ 59,044
November 1, 2005	---	12,896	12,896
May 1, 2006	45,000	12,896	57,896
November 1, 2006	---	11,749	11,749
May 1, 2007	45,000	11,749	56,749
November 1, 2007	---	10,590	10,590
May 1, 2008	45,000	10,590	55,590
November 1, 2008	---	9,420	9,420
May 1, 2009	45,000	9,420	54,420
November 1, 2009	---	8,250	8,250
May 1, 2010	45,000	8,250	53,250
November 1, 2010	---	7,125	7,125
May 1, 2011	45,000	7,125	52,125
November 1, 2011	---	6,000	6,000
May 1, 2012	45,000	6,000	51,000
November 1, 2012	---	4,875	4,875
May 1, 2013	45,000	4,875	49,875
November 1, 2013	---	3,750	3,750
May 1, 2014	50,000	3,750	53,750
November 1, 2014	---	2,500	2,500
May 1, 2015	50,000	2,500	52,500
November 1, 2015	---	1,250	1,250
May 1, 2016	50,000	1,250	51,250
<b>Total</b>	<u>\$555,000</u>	<u>\$170,854</u>	<u>\$725,854</u>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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Bonds Payable - County of Jackson Waste Water Disposal Facility Bonds (Vineyard Lake). Amount applicable to Cambridge Township 4.991%. Total issue \$6,100,000 of which Cambridge is \$304,451.

Purpose: Construction Sewer  
Date of Bond: November 1, 2003  
Interest Rate: 2.76% - 4.50%  
Interest Payable: April 1<sup>st</sup>, October 1<sup>st</sup>  
Original Amount of Issue: \$304,451

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$ 12,478	\$ 11,464	\$ 23,942
2006	12,478	10,996	23,474
2007	12,478	10,622	23,100
2008	12,478	10,295	22,773
2009	14,973	9,889	24,862
2010	14,973	9,412	24,385
2011	14,973	8,925	23,898
2012	14,973	8,420	23,393
2013	14,973	7,886	22,859
2014	17,469	7,266	24,735
2015	17,469	6,567	24,036
2016	17,469	5,868	23,337
2017	17,469	5,159	22,628
2018	17,469	4,431	21,900
2019	17,469	3,693	21,162
2020	18,715	2,913	21,628
2021	18,715	2,094	20,809
2022	18,715	1,263	19,978
2023	18,715	421	19,136
<b>Total</b>	<b><u>\$304,451</u></b>	<b><u>\$127,584</u></b>	<b><u>\$432,035</u></b>

Debt service requirements over next five years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 328,298	\$ 183,880
2007	329,799	164,728
2008	336,763	145,815
2009	346,763	127,953
2010	351,086	100,872
Thereafter	<u>2,066,678</u>	<u>339,806</u>
<b>Total</b>	<b><u>\$3,759,387</u></b>	<b><u>\$1,063,054</u></b>

**CAMBRIDGE TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 9 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**NOTE 10 – ACCOUNTING CHANGE**

Effective April 1, 2004, the Cambridge Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34), along with all related statements and interpretations. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis of the Township's overall financial position and results of operations has been included.
- Township-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets totaling \$845,117.
- The fund financial statements focus on major funds rather than fund types.



**CAMBRIDGE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended March 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$ ---	\$ ---	\$ 906,035	\$ 906,035
Taxes and Assessments	231,900	231,900	238,985	7,085
Intergovernmental	293,500	293,500	307,433	13,933
State Grants	5,000	5,000	4,056	(944)
Licenses and Permits	79,500	79,500	85,336	5,836
Fines and Forfeitures	---	---	900	900
Charges for Services	134,400	134,400	141,657	7,257
Interest and Rentals	9,000	9,000	23,653	14,653
Other	15,000	15,000	112,016	97,016
Transfer In	<u>1,200</u>	<u>1,200</u>	<u>966</u>	<u>(234)</u>
<b>Amounts Available for     Appropriation</b>	<u>769,500</u>	<u>769,500</u>	<u>1,821,037</u>	<u>1,051,537</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b>General Government</b>				
Trustee Board	24,700	24,700	23,047	1,653
Township Supervisor	30,600	30,715	26,259	4,456
Treasurer	51,700	51,700	48,973	2,727
Assessing	44,300	44,300	44,197	103
Clerk	40,025	42,225	39,764	2,461
Elections	7,500	7,500	6,897	603
Attorney and Auditing	13,325	13,325	12,597	728
Cemetery	28,500	28,500	26,690	1,810
Board of Review	2,700	2,700	2,426	274
Township Hall	129,400	128,065	116,718	11,347
<b>Public Safety</b>				
Inspections	73,100	75,930	70,415	5,515
<b>Community Economic     Development</b>				
Planning and Zoning	31,575	31,500	26,000	5,500
<b>Public Works</b>				
Road and Maintenance	138,326	138,491	128,192	10,299
Community Cleanup	5,000	5,000	2,603	2,397
<b>Recreation and Culture</b>				
Community - Senior Citizens	900	900	900	---
DOA District, etc.	11,500	11,500	9,234	2,266
<b>Capital Outlay</b>	29,500	28,064	130,937	(102,873)
<b>Other Functions</b>	49,749	47,285	22,060	25,225
<b>Other Functions</b>	<u>57,100</u>	<u>57,100</u>	<u>55,000</u>	<u>2,100</u>
<b>Total Charges to Appropriations</b>	<u>769,500</u>	<u>769,500</u>	<u>792,909</u>	<u>(23,409)</u>
<b>Ending of Year Fund Balance</b>	\$ ---	\$ ---	<u>\$1,028,128</u>	<u>\$1,028,128</u>

**CAMBRIDGE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Fire Fund (Major Special Revenue Funds)**  
**For The Year Ended March 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>	\$ ---	\$ ---	\$ 946,444	\$946,444
<b><u>Resources (Inflows)</u></b>				
Taxes	160,900	160,900	175,064	14,164
Interest	10,000	10,000	17,263	7,263
Contracted Services	88,200	88,200	88,206	6
Miscellaneous	5,000	5,000	18,927	13,927
<b><u>Amounts Available for Appropriation</u></b>	<u>264,100</u>	<u>264,100</u>	<u>1,245,904</u>	<u>981,804</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
<b><u>Public Safety</u></b>				
Salaries and Wages	100,000	88,420	90,397	(1,977)
Fringe Benefits	8,000	8,000	6,977	1,023
Operating Supplies	48,000	43,800	36,454	7,346
Uniforms	2,000	2,000	562	1,438
Gas and Oil	5,000	5,000	4,802	198
Utilities	11,700	15,500	15,780	(280)
Repairs and Maintenance	15,000	41,560	11,484	30,076
Insurance	28,000	30,400	29,271	1,129
Dues and Publications	1,000	1,000	600	400
Computer Services	1,000	2,250	2,188	62
Communication - Radio	6,000	4,050	2,477	1,573
Education	6,000	7,720	7,715	5
Ambulance	8,000	---	---	---
Community Promotion	4,000	4,000	4,000	---
Other	4,300	10,400	2,722	7,678
Capital Outlay	4,000	---	34,672	(34,672)
<b><u>Total Charges to Appropriations</u></b>	<u>252,000</u>	<u>264,100</u>	<u>250,101</u>	<u>13,999</u>
<b><u>Ending of Year Fund Balance</u></b>	<u>\$ 12,100</u>	<u>\$ ---</u>	<u>\$ 995,803</u>	<u>\$995,803</u>

**CAMBRIDGE TOWNSHIP  
Combining Balance Sheet  
Non-Major Governmental Funds  
March 31, 2005**

	<b>Special Revenue Funds</b>	<b>Permanent Fund</b>	<b>Total Non-Major Governmental Funds</b>
	<b>Police Fund</b>	<b>Cemetery Endowment</b>	
<b><u>Assets</u></b>			
Cash	\$179,885	\$89,502	\$269,387
Receivables:			
Taxes	10,835	---	10,835
Due from Other Funds	414	---	414
Prepaid Expenses	4,648	---	4,648
Other	---	9	9
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$195,782</u></b>	<b><u>\$89,511</u></b>	<b><u>\$285,293</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 8,795	\$ ---	\$ 8,795
Accrued Liabilities	294	---	294
Due to Other Funds	80,016	---	80,016
Deferred Revenues	751	---	751
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b><u>89,856</u></b>	<b><u>---</u></b>	<b><u>89,856</u></b>
<b><u>Fund Balance</u></b>	<b><u>105,926</u></b>	<b><u>89,511</u></b>	<b><u>195,437</u></b>
<b>Total Liabilities     And Fund Balances</b>	<b><u>\$195,782</u></b>	<b><u>\$89,511</u></b>	<b><u>\$285,293</u></b>

**CAMBRIDGE TOWNSHIP**  
**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended March 31, 2005**

	<b>Special Revenue Funds</b>	<b>Permanent Fund</b>	<b>Total Non-Major Governmental Funds</b>
	<b>Police Fund</b>	<b>Cemetery Endowment</b>	
<b><u>Revenues:</u></b>			
Taxes and Assessments	\$175,064	\$ ---	\$175,064
Intergovernmental	4,368	---	4,368
Charges for Services	32,800	---	32,800
Fines and Forfeits	27,166	---	27,166
Interest and Rents	832	1,485	2,317
Other Revenue	2,741	---	2,741
<b>Total Revenue</b>	<u>242,971</u>	<u>1,485</u>	<u>244,456</u>
<b><u>Expenditures:</u></b>			
Public Safety	266,392	---	266,392
Capital Outlay	28,994	---	28,994
<b>Total Expenditures</b>	<u>295,386</u>	<u>---</u>	<u>295,386</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(52,415)</u>	<u>1,485</u>	<u>(50,930)</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Operating Transfers In	55,000	---	55,000
Operating Transfers (Out)	---	(966)	(966)
<b>Total Other Financing Sources (Uses)</b>	<u>55,000</u>	<u>(966)</u>	<u>54,034</u>
<b><u>Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses)</u></b>	<u>2,585</u>	<u>519</u>	<u>3,104</u>
<b><u>Beginning Fund Balance</u></b>	<u>103,341</u>	<u>88,992</u>	<u>192,333</u>
<b><u>Ending Fund Balance</u></b>	<u>\$105,926</u>	<u>\$89,511</u>	<u>\$195,437</u>

The notes to financial statements are an integral part of this statement.

# PHILIP R. RUBLEY

- *Certified Public Accountant* -

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MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

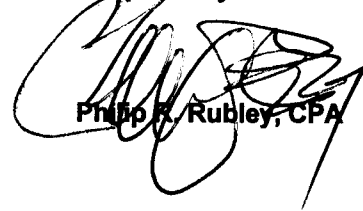
June 9, 2005

**Township Board  
Cambridge Township  
Lenawee County  
302 Conner Street  
Onsted, Michigan 49265**

In planning and performing my audit of the financial statements of Cambridge Township for the year ended March 31, 2005, I considered the Township's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. The consideration I gave to the internal control structure was not sufficient for me to provide any form of assurance on it. However, in reviewing the Township's processes and systems, I made observations I feel should be communicated to you and I have done so in a separate letter dated June 9, 2005. In addition I have summarized other areas for Board's consideration involving internal controls and fraud considerations.

If you have any questions on the information contained in this letter please contact me.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

## INTERNAL CONTROLS

Over a relatively short period of time, there have been several large fraud related cases documented in the mid-Michigan area, as well as in other areas of Michigan and throughout the country. These highly publicized cases have raised significant concerns for management of many organizations, as well as the council and board members of these not-for-profit organizations and governmental organizations, concerning their organization's vulnerability to internal or external fraud related activities. It is strongly believed that all organizations, both small and large, have some level of risk in this area and even having the "best practices" in place will not necessarily prevent the occurrence of this unfortunate activity.

Through many recent conversations with my clients regarding their susceptibility to fraud, it was noted the most important element necessary to reduce the risk of fraud is to have a sound organizational structure, which includes sound accounting and internal control policies and procedures (IN THE EYES OF THEIR EMPLOYEES). One of the key aspects of strong controls, and thus a deterrent, is senior management's support and involvement with accounting and internal control monitoring and related decisions.

Some of the key areas to focus on include, but are not limited to, the following:

- Cash receipts handling and posting to general ledgers including the initial posting of cash receipts.
- Posting of adjusting journal entries to the ledger.
- Cash disbursements, including the establishment of vendor master files in the computer system and maintenance and controls surrounding the signature of cash disbursement checks.
- Payroll, including the access to all master files detailing wage rates and other information, and the establishment of new employees in the computer system.
- Proper approval procedures for all disbursements including a good checks and balances system i.e.: no one person responsible for this function where possible.

## FRAUD CONSIDERATIONS

### **Statement of Auditing Standards No. 99 (SAS99), consideration of Fraud in a Financial Statement Audit**

Effective for the year ended December 31, 2003, Statement on Auditing Standards No. 99 (SAS99), *Consideration of Fraud in a Financial Statement Audit*, requires additional audit procedures addressing the risk of fraud in an organization. Our responsibility is not to detect fraud, but to detect material misstatements in the financial statements caused by fraud, and our consideration of fraud is integrated into the overall audit process.

Types of fraud include intentional misstatements or omissions in financial reporting and misappropriation of assets. SAS 99 requires auditors to address:

- How and where the client's financial statements might be susceptible to material misstatement due to fraud and what conditions might be present to allow fraud to occur.
- How management could perpetrate and conceal fraud.
- How management or employees could misappropriate assets of the client.

In addition, SAS 99 requires auditors to make inquiry of:

- Management regarding their awareness and understanding of fraud, fraud risks, and steps taken to mitigate risks.
- Others within the entity, including council members, non-financial executives, administrators, and non-management personnel not directly involved in the financial reporting process, regarding the existence of suspicion of fraud and the individual's views about the risks of fraud within the entity.

Risk areas identified through inquiries and based on industry knowledge will significantly affect the audit process. With your help, the implementation of these new standards will certainly lead to a greater comfort in the controls you have designed and implemented. It may even create greater efficiency in the accounting process as a byproduct of the process.

### **Creating A Culture Of Honesty And High Ethics**

It is the Township's responsibility to establish core values and to effectively communicate the values to employees in order to create a culture with high ethical standards. The AICPA has included the following as key components necessary for the creation of such a culture.

#### **Setting The Tone At The Top**

Management, through the modeling of high ethics themselves and effectively communicating expectations to employees, is responsible for leading the effort to create the appropriate culture within the Township.

#### **Creating A Positive Workplace Environment**

The creation of a positive workplace environment, where employees feel they are treated fairly, has proven to reduce the risk of fraud. This type of environment could be created as follows:

Allowing employees to provide input related to the code of conduct.

- Enabling employees to internally seek advice concerning decisions that appear to have ethical implications.
- Establishment of a fair reward system.
- Implementation of team-focused decision making policies.

#### **Hiring And Promoting Appropriate Employees**

Policies must be effective in reducing the chances of hiring and promoting individuals with low ethical standards.

#### **Training**

Core values expressing an attitude of intolerance toward unethical behavior should be communicated immediately to new hires and should be recommunicated periodically to all employees.

## **Confirmation**

Reinforcement of core values occurs if the employees are required to sign a code of conduct statement.

## **Discipline**

Consequences of unethical behavior should be communicated upfront, and management response to unethical behavior should be consistent with the consequences communicated. Management's response demonstrates the level of commitment to the ethical standards and could deter future wrongdoing.

## **Evaluating Antifraud Processes and Controls**

Perceived opportunity to successfully commit fraud increases the risk that fraud will occur. The following can help in reducing the opportunity for fraud.

## **Identifying And Measuring Fraud Risks**

The Township's vulnerability to fraudulent activity (including Fraudulent financial reporting, misappropriation of assets, bribery and other illegal acts) should be assessed.

## **Implementing And Monitoring Appropriate Internal Controls**

Internal processes can be modified to reduce fraud risk. Examples of such process modifications are as follows:

- Additional review of the procurement process
- Segregation of duties
- Adequate scrutiny of interim financial reports and budget reports by management

## **Developing An Appropriate Oversight Process**

Whether it is external or internal oversight, appropriate oversight should be identified and established.

## **Township Board**

The Township Board is ultimately responsible for ensuring management is doing an effective job of monitoring fraud risk and implementing procedures to mitigate fraud risk. Therefore, the Board should be evaluating management's assessments and controls.



### **Independent Auditors**

Independent auditors can provide an assessment of the Township's process for identifying, assessing and responding to the risk of fraud.

### **Certified Fraud Examiners**

Certified Fraud Examiners can provide additional insight into the risk assessment.

### **Other Information**

The following Web sites provide additional guidance on fraud and the implementation of anti-fraud programs and controls:

American Institute of Certified Public Accountants	<a href="http://www.aicpa.org">www.aicpa.org</a>
Association of Certified Fraud Examiners	<a href="http://www.cfenet.com">www.cfenet.com</a>
Financial Executives International	<a href="http://www.fei.org">www.fei.org</a>
Information Systems Audit and Control Association	<a href="http://www.isaca.org">www.isaca.org</a>
The Institute of Internal Auditors	<a href="http://www.theiia.org">www.theiia.org</a>
Institute of Management Accounts	<a href="http://www.imanet.org">www.imanet.org</a>
National Association of Corporate Directors	<a href="http://www.nacdonline.org">www.nacdonline.org</a>
Society for Human Resource Management	<a href="http://www.shrm.org">www.shrm.org</a>

# PHILIP R. RUBLEY

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MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

June 9, 2005

**Township Board  
Cambridge Township  
Lenawee County  
Cement City, Michigan 49233**

We have examined the combined financial statements of the Cambridge Township and the combining, individual fund and account group financial statements of the Township as of and for the year ended March 31, 2005 and have issued our report thereon dated June 9, 2005. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2005, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

## **1. Payroll Benefit Allocations**

Allocations to each account type should be done to properly reflect costs of payroll for that activity.

2. **Fixed Assets - Capital**

It will be necessary for the Township to establish and maintain records for acquisition and disposal of the Township's depreciation threshold of \$1500.

3. **Bank Statements**

Consider getting all bank statements at year end cut off (at end of month). This will allow for easier reconciliations to the general ledger.

4. **Payroll Taxes**

Make sure that you have authorization to pay all payroll taxes when due, to avoid any penalties.

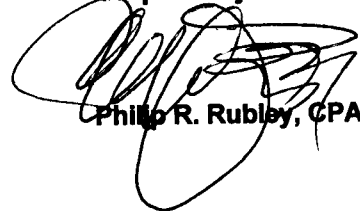
5. **Drain Funds/Sewer and Waste Water**

Drain funds need to be handled in a separate fund to properly account for activity, etc.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated June 9, 2005, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA